

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1465 – HB 1515**

January 22, 2016

**SUMMARY OF BILL:** Deletes provision in Tenn. Code Ann. § 67-5-704 that requires total household income of eligible disabled veterans from exceeding \$60,000 for the purpose of qualifying for local property tax relief in tax year 2015 and subsequent tax years. Increases the property value threshold for determining the extent of any property tax relief payment to an eligible disabled veteran from \$100,000 of the full market value of the property to \$175,000 of the full market value of the property.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Exceeds \$3,665,400**

Assumptions:

- This act shall take effect upon becoming a law, the public welfare requiring it. Therefore, it is assumed the first tax year impacted will be 2016. Given that property tax notices would be sent to taxpayers in late 2016, and paid by February 2017, the first fiscal year impact would be FY16-17.
- Pursuant to Tenn. Code Ann. § 67-5-704(a)(1), there shall be paid from the general funds of the state to certain disabled veterans the amount necessary to pay or reimburse such taxpayers for all or part of the local property taxes paid for a given tax year on that property that the disabled veteran owned and used as the disabled veteran's residence as provided in this section.
- Given that tax relief payments are made to the eligible disabled veterans in order to reimburse the taxpayer for local property taxes paid, it is assumed that all applicable local property taxes have been paid at the time tax relief payments are submitted to eligible recipients; as a result, any change in property tax revenue received by the applicable local government entities is estimated to be not significant.
- The precise fiscal impact of this bill on state government is dependent upon several unknown factors such as (1) the number of eligible disabled veterans under current law, (2) the property values of homes owned by current recipients, (3) the number of disabled veterans that are currently ineligible for property tax relief payments, due to their incomes exceeding the current income qualifying criteria, that will qualify for property

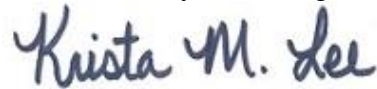
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tax relief under the provisions of this bill, and (4) the extent of property values of homes for any new qualifying disabled veterans.

- Given the extent of unknown factors, determining a precise impact to the state is difficult. However, it is reasonable to assume that current recipients will receive additional tax relief and that there will be additional recipients to receive property tax relief.
- According to the 2015 Annual Report prepared by the Office of the Comptroller, the Division of Property Assessments, there were 13,186 claims for property tax relief from disabled veterans for tax year 2014; the average payment per claim was \$732; and the total amount of payments were \$9,648,621. These numbers are assumed to have remained constant for tax year 2015.
- Based on the information provided by the Comptroller, it is reasonably estimated that the average tax relief payment for tax year 2016 and subsequent years, will increase to at least \$878 (a minimum 20 percent increase), and the number of qualified recipients will increase to at least 15,164 (a minimum 15 percent increase).
- The total amount of property tax relief paid to eligible disabled veterans for tax year 2016 and subsequent years is estimated to exceed \$13,313,992 (\$878 payment x 15,164 recipients).
- The recurring increase in state expenditures from the General Fund is estimated to exceed \$3,665,371 (\$13,313,992 - \$9,648,621).

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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